

Message Text

CONFIDENTIAL

PAGE 01 STATE 071045 TOSEC 030141
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 CCO-00 /026 R

DRAFTED BY EUR/WE/EMROWELL
APPROVED BY EUR - JGLOWENSTEIN
S/S-RGAMBLE

E - MR. COOPER (DRAFT)

EB - MR. BOEKER (DRAFT)

H - MR. STAHNKE (SUBS)

TREAS - MR. SYVRUD(SUBSTANCE)

-----310220Z 074443 /22

O 310201Z MAR 77 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 071045 TOSEC 030141

EXDIS - FOR S/S

E.O. 11652: GDS

TAGS: PFOR, GW, PO

SUBJECT: POINTS FOR INCLUSION IN SECRETARY'S BONN BRIEFING
PAPER ON PORTUGAL - UPDATE

AID TO PORTUGAL - UPDATE

1. AMBASSADOR STOESSEL DISCUSSED THE PORTUGUESE AID QUESTION WITH FRG FINANCE MINISTER APEL AND STATE SECRETARY POEHL ON MARCH 28, AND WITH CHANCELLOR SCHMIDT ON MARCH 29. THE FRG ATTITUDE REMAINS UNCHANGED.

2. THE CHANCELLOR POINTED OUT THAT FINANCIAL AID OF THE MAGNITUDE ENVISIONED FOR THE CONSORTIUM IS NOT POSSIBLE THIS YEAR FROM THE FRG BUDGET. HE REITERATED FRG
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SUPPORT FOR RELYING ON THE IMF EXPANDED FACILITIES OR THE BANK OF INTERNATIONAL SETTLEMENTS, SAYING THAT IS THE ONLY WAY TO ENFORCE STRICT ENOUGH CONDITIONS ON LISBON. HE ALSO SAID THAT THE FRG SHARE (\$400 MILLION) OF THE CONSORTIUM IS DISPROPORTIONATELY HIGH COMPARED TO THE U.S. SHARE (\$550 MILLION). (IN FACT THE PROPOSED FRG AND US SHARES IN THE CONSORTIUM WERE BASED ON THEIR RESPECTIVE SHARES IN

THE GENERAL AGREEMENT TO BORROW, AND THE U.S. HAS ALREADY
COMMITTED \$750 MILLION THROUGH THE END OF FY 1977, IN-
CLUDING A \$300 MILLION LINE OF CREDIT FROM THE EXCHANGE

STABILIZATION FUND.)

3. SCHMIDT WAS UNABLE TO PROMISE AN EARLY RESPONSE TO
THE PRESIDENT'S REQUEST FOR GERMAN PARTICIPATION IN
THE CONSORTIUM.

4. IN BASLE MARCH 29 STATE SECRETARY POEHL TOLD
TREASURY UNDER SECRETARY SOLOMON THAT SCHMIDT'S RESPONSE
TO THE PRESIDENT'S MARCH 5 LETTER WILL BE A "VAGUE NO"
WITH RESPECT TO FRG CONTRIBUTION TO A CONSORTIUM. THIS
WOULD NOT, HOWEVER, RULE OUT GERMAN HELP FOR PORTUGAL,
ONLY THAT SUCH HELP WOULD HAVE TO BE GIVEN THROUGH LESS
EXPLICIT AND NON-BUDGETARY CHANNELS.

5. TALKING POINTS

-- ASSURANCE OF ADEQUATE BALANCE OF PAYMENTS ASSISTANCE,
IN ADDITION TO BEING NECESSARY FOR ECONOMIC RECOVERY, HAS
BECOME THE POLITICAL SYMBOL OF WESTERN SUPPORT FOR DEMO-
CRATIC GOVERNMENT IN PORTUGAL.

-- THE FRG SHOULD BE VISIBLY ASSOCIATED WITH SUCH ASSIS-
TANCE IN ORDER TO REAFFIRM POLITICAL SUPPORT FOR THE
PORTUGUESE GOVERNMENT AND TO ENCOURAGE OTHERS ASIDE FROM
THE FRG AND THE U.S. TO PROVIDE ASSISTANCE.

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-- TO OBTAIN CONGRESSIONAL BACKING FOR A FULL US CONTRI-
BUTION -- WHICH WAS PRESENTED TO CONGRESS AS NO MORE THAN
40 -- IT IS ESSENTIAL THAT IMPORTANT EUROPEAN ALLIES
ALSO ASSIST VISIBLY.

-- PORTUGAL PROBABLY WILL BE UNABLE TO MEET STRINGENT
IMF CONDITIONS FOR EXTRAORDINARY CREDIT DRAWINGS IN 1977,
SO NON-IMF FINANCING WILL BE NEEDED FOR A YEAR OR SO LONGER.

-- IN THE MEANTIME, GIVEN PORTUGAL'S NEED AND FRG
PROBLEMS WITH THE CONSORTIUM AS PROPOSED, WE ARE OPEN
TO FRG SUGGESTIONS ON WAYS TO ASSURE ADEQUATE BALANCE
OF PAYMENTS ASSISTANCE.

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PAGE 01 STATE 071045
ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

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DRAFTED BY: EUR/WE/KSMITH
APPROVED BY: EUR - R.E. BARBOUR
S/S - RGAMBLE

-----010423Z 120103 /73

R 010156Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY LISBON

C O N F I D E N T I A L STATE 071045

EXDIS

FOLLOWING REPEAT STATE 071045 ACTION USDEL SECRETARY MAR 31,
1977

QTE C O N F I D E N T I A L STATE 071045 TOSEC 030141

EXDIS - FOR S/S

E.O. 11652: GDS

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Control Number: n/a
Copy: SINGLE
Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
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Disposition Event:
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Disposition Reason:
Disposition Remarks:
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Executive Order: GS
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Expiration:
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From: STATE
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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TAGS: PFOR, GE, PO
To: SECRETARY
Type: TE
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